Investors are "voting with their feet" on costs

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Investors in low-cost funds are keeping more of what they pay for.

The message from investment research is clear: Don't assume that you'll get more if you pay more. You can't control the markets, but you can control the amount you pay to invest. Lower costs allow you to keep a greater share of an investment's return.

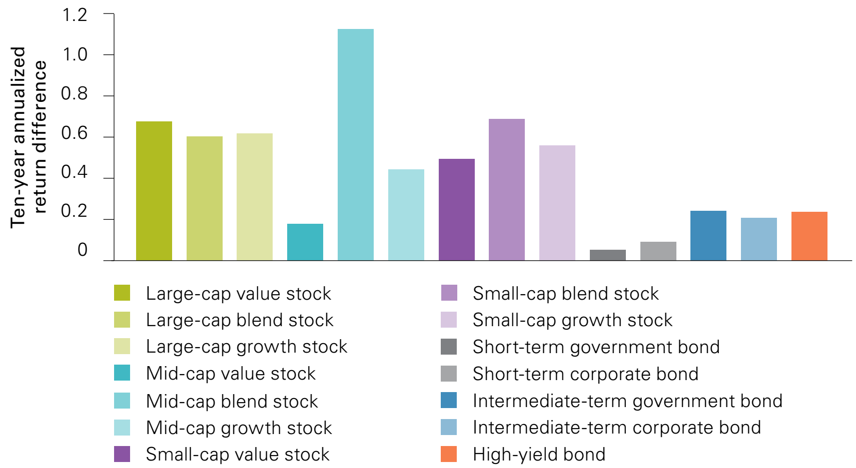
Over the ten-year period ended December 31, 2015, low-cost funds outperformed high-cost funds. So it's not surprising that investors frequently say that fees are an important consideration when buying a mutual fund.

Note: Data are as of December 31, 2015.

Sources: Vanguard calculations, based on data from Morningstar, Inc.

Over time, lower costs have meant higher net returns

Difference between median funds in lowest and highest cost quartiles



For more than ten years, investors have been favoring low-cost equity funds.

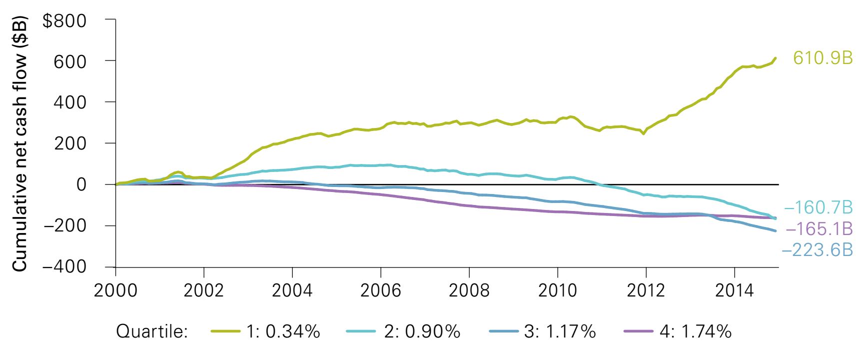
Investors are increasingly gravitating toward low-cost options. The equity funds with expense ratios in the lowest quartile attracted $611 billion over the last 15 years, while funds with higher expense ratios suffered net outflows.

Notes: Expense-ratio quartiles were calculated annually. Each quartile represents 2015 asset-weighted average expense ratios, determined by multiplying annual expense ratios by year-end assets under management and dividing by the aggregate assets in each quartile. Data are as of December 31, 2015.

Sources: Vanguard calculations, based on data from Morningstar, Inc.

Investors are choosing low-cost equity funds

Relationship between net cash flow and expense-ratio quartile of U.S. equity funds and ETFs



Investors' preference for low-cost bond funds is clear.

Roughly 93% of net cash flows into taxable bond funds went to low-cost options.

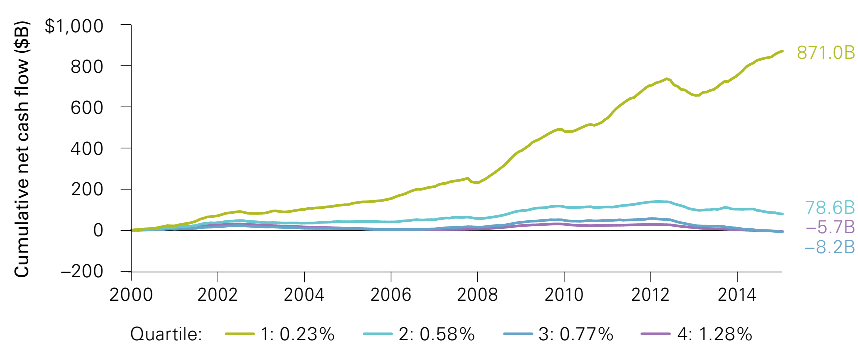
By "voting with their feet," investors in both equities and bonds are showing they've clearly received the low-cost message.

Notes: Expense-ratio quartiles were calculated annually. Each quartile represents 2015 asset-weighted average expense ratios, determined by multiplying annual expense ratios by year-end assets under management and dividing by the aggregate assets in each quartile. Data are as of December 31, 2015.

Sources: Vanguard calculations, based on data from Morningstar, Inc.

Investors are choosing low-cost bond funds

Relationship between net cash flow and expense-ratio quartile of U.S. fixed income funds and ETFs



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